

FACT SHEET
Y2K GOODS AND SERVICES
ENHANCEMENTS TO EX-IM BANK'S MEDIUM- AND LONG-TERM
LOAN, GUARANTEE AND INSURANCE PRODUCTS

SUMMARY

The Y2K computer programming problem is not just a concern in the United States. Many computer systems around the world have Y2K problems. In particular, many governments and businesses in emerging markets where Ex-Im Bank is active have critical Y2K issues that need to be addressed. Given that U.S. companies are leaders in computer technology, this could well prove to be an important market for U.S. exporters both before January 1, 2000, as well as for some time thereafter.

To help U.S. exporters compete effectively for this business, Ex-Im Bank has enhanced its long-term loan and guarantee products, and its medium-term loan, guarantee and insurance products. (Ex-Im Bank defines as "long-term" transactions where the financed amount (excluding exposure fee) is more than \$10 million or there is a repayment term of greater than 7 years; and defines as "medium-term" transactions where the financed amount (excluding exposure fee) is \$10 million or less and there is a repayment term of not more than 7 years.)

WHAT KIND OF TRANSACTIONS ARE COVERED?

Enhanced support may be available for exports of U.S. goods or services which are specifically intended to aid a foreign buyer in addressing Y2K computer problems. Examples of eligible exports include the services of U.S.-based consulting and programming personnel; software intended to repair or replace programming at risk for Y2K problems; and hardware which replaces non-Y2K compliant technology.

To be eligible for enhanced support, a transaction must comply with the standard terms and conditions for Ex-Im Bank support. This includes the need for a creditworthy borrower in a country eligible for Ex-Im Bank's programs and satisfaction of Ex-Im Bank's U.S. content requirements. Ex-Im Bank can support up to 85 percent of the U.S. contract price of the goods and/or services exported, or 100 percent of the actual U.S. content of the contract (U.S. contract price, less eligible foreign content), whichever is less. A minimum 15 percent cash payment must be made to the U.S. company. Defense-related sales are generally not eligible for support.

ENHANCEMENTS: LONG-TERM LOANS AND GUARANTEES

Ex-Im Bank's staff will look at the useful life and other aspects of any particular export product or service to determine whether it qualifies as a long-term or medium-term item. An example of an item that may qualify for long-term treatment is a major new integrated software and hardware system needed to bring business operations into compliance, replacing an existing system due to noncompliance.

Eligible long-term transactions would be able to receive the following enhancements:

- Local cost coverage equal to 15 percent of the U.S. contract price;
- Capitalization of interest during the construction period;
- Maximum allowable repayment terms permissible under Organization for Economic Cooperation and Development (OECD) guidelines (provided that the terms do not exceed those specified in Ex-Im Bank's Country Limitation Schedule).

ENHANCEMENTS: MEDIUM-TERM LOANS, GUARANTEES AND INSURANCE

Products not qualifying for long-term treatment would be given a standard enhancement of maximum allowable repayment terms permissible under OECD and Berne Union guidelines (subject, again, to Ex-Im Bank's Country Limitation Schedule). Further, the applicable repayment term is determined by the value of the U.S. export contract, as follows:

<i>Eligible U.S. Costs</i>	<i>Maximum Repayment Period</i>
Less than \$80,000	Up to 2 years
\$ 80,000 to \$174,999	Up to 3 years
\$175,000 to \$349,999	Up to 4 years
\$350,000 and over	5 years and over

OTHER RELATED EX-IM BANK PRODUCTS

Interested parties should also take note of another Ex-Im Bank Y2K product -- the Small Business Y2K Insurance Policy. Small businesses which export Y2K computer compliance related products and services can insure their credit sales of U.S. products against loss due to nonpayment. The policy protects against failure of a foreign buyer to pay an obligation because of unforeseen commercial or political reasons. This product carries its own unique enhancements, separate from those described above.

MORE INFORMATION

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